

Key Performance Indicators

The Group has a range of Key Performance Indicators ('KPIs') which are used to monitor Group performance, operations and measure progress against our strategy.

Financial KPIs

Total Shareholder Return (TSR)

33.6%



Definition

TSR is the total return to an investor, being the capital gain plus reinvested dividends. The return is measured as an average return over three years.

Strategic linkage

TSR is a key metric used to ensure the Group is delivering returns on invested capital and maintaining strong cash flows to support the combined development of the Group and its dividend payment. Principally, it is used to tie executive management remuneration to shareholder returns by linking the vesting and quantum of awards under the Long Term Incentive Plan (LTIP) to performance relative to other FTSE 250 companies.

1. 2. 3.

Performance

The Group delivered a three-year average TSR of 33.6% in 2019 compared to 56.8% in 2018.

Link to remuneration

This is a performance metric for the LTIP, accounting for 50% of any awards made to key management personnel.

Adjusted Earnings Per Share ('EPS') Growth

5%



Definition

Growth in adjusted diluted EPS achieved in the year.

Strategic linkage

EPS is an important financial measure of corporate profitability and the Group's financial progress.

1. 2. 3.

Performance

The 5% increase in EPS was primarily driven by the strong operating results from the Ashfield and Sharp divisions, as well as the acquisitions during the year. Foreign exchange translation decreased EPS growth by 2% from 7% constant currency growth to 5% reported growth.

Link to remuneration

Adjusted EPS growth is a key measure of growth and a driver of TSR, which accounts for 50% of LTIP awards made to key management personnel.

Key to strategic linkage in this report

1. Developing and growing market leading positions
2. Transforming through people
3. Continuous improvement

Financial KPIs (continued)

Adjusted Net Operating Margin

14.2%



Definition

Measures adjusted operating profit as a percentage of net revenue.

Strategic linkage

Net operating margin is a key metric in measuring operating efficiency across the Group, divisions and business units. Continued improvements in net operating margin demonstrate the successful execution of the Group's strategy.

1. 3.

Performance

The overall Group net operating margin has increased from 2018. This is a result of the positive margin effect of acquisitions, the full year impact of acquisitions and disposals made in 2018 and higher revenue growth in the higher margin businesses.

Link to remuneration

Net operating margin is a key driver of Adjusted Profit Before Tax ('PBT') which represents a significant element of annual bonus potential.

Net Revenue

\$1,114.2m



Definition

Comprises gross revenue as reported in the Group Income Statement, adjusted for revenue associated with pass-through costs for which the Group does not earn a margin.

Strategic linkage

Net revenue is a key metric in measuring growth in operations across the Group, divisions and business units. Continued growth in net revenue demonstrates the successful execution of the Group's strategy.

3.

Performance

The Group's net revenue decreased 1% due to the disposal of Aquilant in 2018 offset by organic growth and acquisitions made in 2019.

Link to remuneration

Net Revenue is a performance metric which accounts for a portion of annual bonus potential.

Operating Cash Flow

\$129.3m



Definition

Operating cash flow is net cash inflow from operating activities per the Group Cash Flow Statement on page 114.

Strategic linkage

The generation of cash from operations is a key driver of shareholder returns and also enables the Group to invest in capital expenditure and acquisitions to enhance future growth.

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Performance

The Group has achieved operating cash flows of \$129.3 million. This has increased from 2018, driven by a decrease in working capital.

Link to remuneration

The ratio of operating cash flow to operating profit forms the basis of a performance metric for the LTIP, accounting for 50% of any awards made to key management personnel. Operating cash flow is also an annual bonus performance metric.

Key Performance Indicators (continued)

Financial KPIs (continued)

Return on Capital Employed ('ROCE')

13.4%



Definition

ROCE is profit before interest and tax expressed as a percentage of the Group's net assets employed. See page 184.

Strategic linkage

ROCE is a key financial benchmark which measures both the return from, and performance of, investments in our business. The Group strives to consistently achieve returns well in excess of its cost of capital.

Performance

The Group's ROCE was 13.4% (13.1% on an IFRS 15 basis) compared to 12.7% in 2018.

Link to remuneration

ROCE is significantly influenced by PBCIT and cash flow performance, both of which are key annual bonus performance metrics.

Non-Financial KPIs

Quality and Compliance

100.0%



The percentage of regulatory inspections conducted on Ashfield & Sharp businesses which were successful.

Definition

Our vision and values are underpinned by our desire to maintain the highest ethical standards in everything that we do. We are committed to always meeting our legal and regulatory obligations. Our compliance programme sets out the system we have adopted to help ensure that we meet this commitment.

Strategic linkage

One of the measures for ensuring that our Quality and Compliance systems and processes are providing a robust basis for our business is through our performance in audits by regulators and professional standards bodies. 25 regulator audits were carried out throughout UDG Healthcare by regulators in 2019.

Performance

All regulatory inspections conducted on Ashfield & Sharp businesses resulted in successful outcomes. There were no regulatory breaches during this period.

Link to remuneration

A key objective of the Quality and Compliance system is to ensure that when audited by reporting authorities and clients we are compliant with their requirements. This means adhering to both the regulatory requirements and the professional standards applied in our sector. Management all have objectives to ensure successful audit outcomes.

Key to strategic linkage in this report

- 1. Developing and growing market leading positions
- 2. Transforming through people
- 3. Continuous improvement

Non-Financial KPIs (continued)

Environmental, Health and Safety ('EHS')

87.5%



EHS audit programme completion rate.

Definition

EHS audits comprise of a comprehensive and structured review whereby information is collected relating to the efficiency, effectiveness, and reliability of our businesses EHS management systems.

Strategic linkage

Compliance with regulation and application of industry standards are essential in the delivery of our strategy. Since the introduction of our EHS audit programme in 2014, 87.5% of UDG Healthcare businesses have been audited.

1. 2. 3.

Performance

We are pleased with our performance against our internal standards as a number of our sites have achieved over 70% completion of all EHS audit actions.

Link to remuneration

The EHS audit programme has an indirect impact on business revenue. Our audit results demonstrate our compliance with EHS regulatory requirements and industry best practice, supporting business development and retention.

Living Our Values

98.0%



Percentage of leaders who completed our values based leadership programme.

Definition

How we embed UDG Healthcare's values into our people processes and the method of measurement for how we prioritise living the values in our organisation.

Strategic linkage

Living our values is fundamental to the success of our business. Our values define our culture and guide our interactions with our clients. We use our *Inspire* leadership programme as a core platform for educating our leaders and our managers on how the values should guide their own behaviour both internally with our people and externally with all stakeholders.

1. 3.

Performance

Our *Inspire* programme contributes positively to our organisation, by reinforcing our culture and creating an environment where internal networking contributes to collaboration and sharing of expertise. 98% of leaders completed our values based leadership programme in the year under review.

Link to remuneration

The *Inspire* leadership programme is a mandatory programme for all leaders and it ensures we have coherence across all businesses in understanding our values.